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STATE OF CONNECTICUT

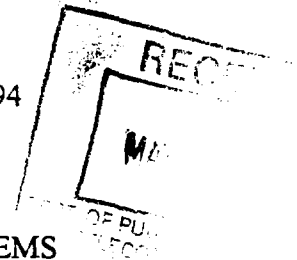
DEPARTMENT OF PUBLIC UTILITY CONTROL

IN RE:

DOCKET NO. 94-03-27

DPUC INVESTIGATION INTO THE  
CONNECTICUT CELLULAR SERVICE  
MARKET AND THE STATUS OF COMPETITION

MAY 6, 1994



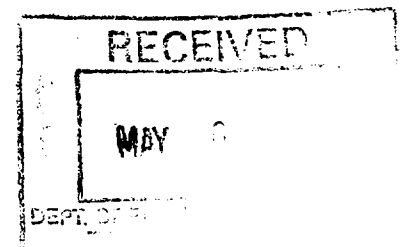
TESTIMONY OF JAN MIZESKI  
DIRECTOR OF MANAGEMENT AND BILLING SYSTEMS  
ESCOTEL CELLULAR, INC. AND THE PHONE EXTENSION, INC.

Mr. Chairperson and Members of the Department of Public Utility Control:

My name is Jane Mizeski and I am the Director of Management and Billing Systems for Escotel Cellular, Inc. and The Phone Extension, Inc. I am here to present several issues for your considerations from the perspective of a reseller which we feel indicates a strong need for continued regulation of the cellular industry in Connecticut.

I have 13 years of experience in the telecommunications business. Starting in the customer premise equipment manufacturing business. I was responsible for call accounting products both on the telephone and call accounting system side in addition to Voice Mail/Call Processing Equipment and Key, Hybrid, and PBX telephone systems. This has given me extensive experience in dealing with switch call record formats, outputs, and procedures

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as well as experience in the architecture, design, and operation of call accounting/billing products.

Both in my present position and as Vice President of Escotel Software, Inc., and having worked for Tie/Communications as a project manager this experience has given me a thorough background in billing systems in the cellular industry and qualifies me to point out several problems inherent with the billing system of both carriers.

The systems of both carriers are, in my opinion, unfair to both the consumer and resellers, I will also discuss the issues of roaming and long distance telephone service, and hopefully, when I have completed my presentation, you will have a clear picture of why we feel strong regulation by your department is necessary.

#### BILLING PROBLEMS

Billing problems are most prevalent in two categories:

1. Overlapping Calls
2. Dropped Calls
3. Cellular Message Service (Voice Mail)

#### Overlapping Calls

Overlapping calls can generally be defined as those calls where a cellular customer is being billed for the same minutes or minutes of air time twice.

Springwich and Bell Atlantic Mobile both bill in full one minute increments. If, for example a customer makes a call,

at 10:00:00.0 AM and the call lasts until 10:01:00.1AM or 1 minute and 1/10 of a second the call is billed as a 2 minute call. If the customer makes a second call at 10.01.04.0 A.M. and the lasts until 10:02:00.1 AM or 56 1/10 seconds the consumer is billed for a 2 minute call. For sake of clarity please let me impress on you 2 points. The two calls are less than 4 seconds apart and that the minute in time 10:01AM is being billed twice, also that the consumer is being charged for a full minute for 10:02 although only 1/10 of a second in minute 10:02 is actually being used.

You should be aware of the fact that the magnetic tapes which the carriers deliver to the resellers show the calls within one-tenth of a second, so the technology exists and, in fact, is already in place for the carriers to bill consumers in less than 1 minute which is far more fair to the consumer. However, even assuming the carriers agreed to bill in one-half minute or thirty second increments we estimate 80% of the overlapping call problems would be eliminated.

Another type of overlapping call problem involves calls where multiple minutes of calls overlap each other. Exhibit 1 shows a call detail from one of our Springwich accounts which clearly shows this type of problem. We have never received an explanation from the SNET engineers or billing personnel as to how this problem occurs, but it is clear that a defect in the software that monitors the switch allows this problem to go undetected. Unless a customer meticulously examines every call on

every bill, the likelihood is that the customer is going to pay for these overlapping calls, which is simply not right.

This solution to the problem of overlapping calls lies in requiring the carriers to adjust the billing time increments.

#### DROPPED CALLS

Anyone who is a regular user of a cellular telephone has experienced the frequently, repetitive, problem of losing calls in the middle of conversations. Some dropped calls are the result of limitations on radio transmission and reception in general, such as topographic or meteorological conditions.

However, the greatest number of dropped calls are the result of technological deficiencies within the cellular systems of both carriers. These deficiencies consist of software problems at the switch and in the case of Springwich, an apparent design defect within the system which creates an inability to fully accommodate the less powerful handheld and transportable cellular phones which now account for approximately 70% of all new cellular phone sales.<sup>1/</sup> Another problem is that due to an insufficient number of cell sites, the areas of full coverage claimed to be served by each carrier is not true. Of course, the lack of an adequate number of cell sites further compounds the problem with portable transportable units.

At one time several years ago, the SNET Cellular network maps showed areas of coverage with areas where service was

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<sup>1/</sup> Source Cellular Marketing, March 1993, Page 44.

marginal clearly shown. We at Escotel would use the brochure as a sales tool by pointing out to the customer that SNET was being more honest than Metromobile about its coverage area. When we received new map brochures from SNET without the marginal areas delineated, I called our reseller liaison person who told me that she had been asked by other resellers marketing and sale people to eliminate the marginal areas on the map so they could compete better with Metromobile. This indicated to me that the carriers are aware of the coverage problem but are just not moving quickly enough to add necessary cell sites to upgrade the service quality.

Whatever their cause, these dropped calls present problems for both consumers and resellers. The consumer has the irritation of having to place the call again or to await receiving the second call and also gets billed for the full minute during which the call was dropped as well as the time it takes to reestablish the point of the conversation once the second call connection is made.

On calls involving long distance charges, a dropped call is even a more serious problem because it involves a different rate structure for the first minute of the second call. As with landline toll charges, the first minute is billed at a higher rate than the following minutes.

These calls account for the greatest percent of customer dissatisfaction, and, at least, under the Springwiche system the customer has the burden of initiating the credit request.

The system for attempting to obtain credit from Springwich is basically as follows:

1. The customer must request credit from us, and must circle the defective call on their bill and return the bill to us. We then must forward a copy to Springwich.
2. We then have to complete a credit request form setting forth the mobile telephone number requesting the credit; date and time of call; number called; reason for credit request.
3. We then forward this information to SNET Cellular and request credit. To the best of my knowledge we do not receive credit for any of the defective calls that we have requested.

I should point out that in the short period of time that we have been a reseller for Bell Atlantic Mobile, we have found them to be much easier to deal with. They merely have us send in a copy of the customer's bill with the defective calls circled and send a letter requesting the credit. They then issue the credit without problem.

You should be aware that no one is claiming credit for the entire call, since obviously that call had a value up until it was dropped but the consumer should receive credit for the minute the call was dropped.

From the consumers perspective, the system is an unfair burden due to the nature of cellular usage. Generally, the cellular customer is using the phone while on the go and does not have the time or the ability to instantly call for credit or to record the data that Springwich demands. This results in many minutes of unfair charges being billed to the customer.

From the reseller perspective, this credit request system is overly cumbersome. At a recent meeting between Esotel Cellular and Springwich, a senior executive informed us that it is an internal policy that calls redialed to the same number within a 5 minute window should receive 1 minute of credit. Furthermore, this executive established this policy for Springwich some time ago and the current revenue assurance manager stated in the same meeting that he was unaware that this policy ever existed. This is contrary to the position that Springwich has taken with us to-date, and we have been unable to obtain credit for these calls. It is our belief that SNET Mobile Com, Inc. (Linx) does not have to go through the same arduous procedure, and, if this is the case, this is an unfair advantage over the other resellers. Please refer to Exhibit 2.

We have developed our own in-house billing software which allows us to isolate calls made to the same number within an any time window. We feel that at least 95% of redialed calls made within a 2 minute window are the result of dropped calls. I have attached Exhibit 3 to show the total numbers of such calls during a typical monthly billing cycle. It would be fairer to allow us to strip at least one minute from these calls before they are billed to the customer to eliminate the burden on the customer and to ensure that the reseller obtains the proper credits.

Roaming Calls

Any call made by a cellular customer while outside his "home" area is a roaming call. For our customers, the "home" area is anywhere in the State of Connecticut and portions of Massachusetts. When a cellular customer uses a cellular phone while roaming the customer incurs an average per minute airtime roaming charge of \$0.50 and since the majority of roaming calls are made back to the home area or elsewhere and additional long distance land charge is also incurred along with local roaming taxes. In addition depending on the area where the customer is using the phone on a per day access charge of up to \$3.00.

The same problems of overlapping and dropped calls can and do occur while the customer is roaming. The main difference is that Springwich claims that it cannot give credit to a customer or a reseller for these calls, since they only act as a "conduit" for the service. This leaves the reseller without recourse.

In order to retain the customer, the reseller must give credit for the problem calls but the reseller remains liable to Springwich for the roaming charges. The reseller is not a party to the roaming agreements negotiated between the carriers and therefore cannot obtain credit directly from the carrier where the problem call took place.

Since the carriers exchange credits and charges for roaming calls between themselves by using two major clearing houses, we assume that if Linx wanted to obtain credit for



problem roaming calls it does so under the general umbrella of Springwich. This is an example of how a reseller can be at an unfair advantage compared with a carrier affiliated reseller which erodes the benefits of a competitive marketplace.

I would also like to report that so far Bell Atlantic Mobile has given us credit for problem roaming calls when requested and apparently they do not consider themselves to be only a "conduit."

#### CELLULAR MESSAGE SERVICE (VOICE MAIL)

Cellular Message Service, commonly referred to as voice mail is provided by the Carriers as an option feature for an additional monthly charge. Voice Mail works in the following manner:

If a party calls a cellular customer who has this option and the customer does not answer the telephone the voice mail system plays a personalized greeting to the caller and then offers to take a message.

In the case of Springwich the cellular customer is charged airtime for any calls that are answered by Voice Mail. The problem for the consumer with this system is that an airtime charge applies for a full minute even though the calling party does not leave a message. Unfortunately the Springwich system does not provide a method for the cellular consumer to disable this feature at will. This results in many unfair airtime charges to the consumer which could be partially eliminated by providing a customer activation/deactivation feature. The full

solution would be for Springwich to read Voice Mail/Switch call data and not charge for incoming Voice Mail calls that have no information content.

In the case of Bell Atlantic a cellular customer is not charged for airtime when a calling party reaches Voice Mail. The customer is, however, charged when accessing voice mail to check for any messages. The fault in this system is that Bell Atlantic does not provide the consumer the means to be notified if a message has been left in the Voice Mailbox. Many wasted calls are made and charged for by Bell Atlantic which is simply unfair to the customer.

#### Long Distance

Here , again, I am confining my remarks to our experience with Springwich as Bell Atlantic has an equal access policy in effect. As members of the panel are aware, land line phone customers have equal access or, in other words, the ability to select the long distance carrier of their choosing. Springwich has taken the position that it does not have to grant the same equal access rights to cellular users of its system.

Springwich exclusively uses SNET America to provide long distance telephone service to cellular customers on the B system. This obviously works to the advantage of Springwich and to the disadvantage of the consumer. The bills for wholesale long distance service provided to Springwich system customers are in 6 second increments which is normal wholesale long distance billing. However, Springwich bills the same calls in full one minute intervals.

Obviously, this is an area of potential abuse to the consumers and is in need of strong, active scrutiny by this Agency.

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Conclusion

In considering the issues that I have discussed it is easy to fall into the trap of minimizing the extent of the problems. After all, you might say, your talking about mere minutes. In order to properly assess the damage that is done to the consumers of this state you must think in terms of the total number of subscribers using the cellular networks of both carriers, which is approximately 170,000 customers. On the average, these customers incur a monthly bill of \$79.00 which translates into 13.4 million dollars per month. Based on our experience we conservatively estimate that the total percentage of problem calls is at 15%. This means that the consumers should be receiving credit totaling \$2,.01 million per month. You will see from the answers filed by Springwich to the interrogatories the amount of credit they have extended to their customers is considerably less.

What each of these areas which I touched on proves is simply that one of the carriers, Springwich, cannot be relied upon to police its own conduct. In order to effectively protect the consumers of this state and to provide the benefits of a competitive marketplace to those consumers, it is absolutely necessary that this Agency continue to regulate the cellular industry in Connecticut and display the same strong and active leadership it has shown on the land line side. Thank you for you consideration.

Subscribed and sworn to this

\_\_\_\_ day of May, 1994:

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Commissioner of the Superior Court

## APPENDIX D

1 within the SNET corporate structure?

2 A. (Bluebling) I'm also the president  
3 of TNI Associates, Inc., which is a paging  
4 operation in New Jersey.

5 Q. (Knag) Can you tell me where is  
6 your office, Mr. Brennan?

7 A. (Brennan) My office is at 555 Long  
8 Wharf Drive in New Haven, Connecticut.

9 Q. (Knag) Mr. Bluebling, where is your  
10 office?

11 A. 555 Long Wharf Drive, New Haven  
12 Connecticut.

13 Q. (Knag) Same place?

14 A. (Bluebling) Yes.

15 Q. (Knag) What floor?

16 A. (Bluebling) 7th floor for me.

17 A. (Brennan) 8th floor for myself.

18 Q. (Knag) Where is the office of  
19 LINX?

20 A. (Bluebling) LINX office is  
21 essentially on the 7th floor of the same  
22 building.

23 Q. (Knag) So is that the same floor  
24 you're on?

25 A. (Bluebling) It is.

1 Q. (Knag) Now, are there any people  
2 who have titles of LINX and also titles in  
3 other subsidiaries or affiliates of SNET?

4 A. (Bluemling) LINX, I don't believe  
5 there is anyone that holds a title in LINX  
6 and a title in another part of the business.

7 Q. (Knag) Is there any physical  
8 separation designed to insure that  
9 information from your part of the business  
10 doesn't get transmitted to LINX?

11 A. (Bluemling) Physical separation  
12 would probably be limited to doorways and  
13 partitions.

14 Q. (Knag) And people from the LINX  
15 group walk through your area all the time; is  
16 that right?

17 A. (Bluemling) All the time, no. I  
18 wouldn't say all the time.

19 Q. (Knag) From time to time?

20 A. (Bluemling) They are free to walk  
21 through.

22 Q. (Knag) They are free to walk  
23 through and people from your area walk into  
24 the LINX area?

25 A. (Bluemling) Correct.

1 Q. (Knag) Now, Mr. Bluemling, you said  
2 that one of your functions was to advise on  
3 the pricing of cellular services.

4 Can you expand on what that  
5 function involves?

6 A. (Bluemling) Pricing of wholesale  
7 cellular services as outlined in the tariffs,  
8 basically deals with the wholesale rate  
9 structure that we offer in Connecticut, and  
10 the application of those rates and  
11 regulations to our resell customers.

12 Q. (Knag) And have you ever discussed  
13 with anyone at LINX as to what pricing they  
14 should or might impose?

15 A. (Bluemling) Pricing in the sense of  
16 retail pricing?

17 Q. (Knag) Yes.

18 A. (Bluemling) Yes.

19 Q. (Knag) And with whom have you  
20 discussed that subject?

21 A. (Bluemling) I've discussed that  
22 subject with the officers of the company.

23 Q. (Knag) And is that part of your  
24 function?

25 A. (Bluemling) It is.

1 Q. (Knag) So you're not only involved  
2 in setting the wholesale prices, you're also  
3 involved in setting the resale prices; is  
4 that right?

5 A. (Bluemling) I can be involved in  
6 setting the retail prices.

7 Q. (Knag) What factor s do you  
8 consider in setting retail prices?

9 A. (Bluemling) What factors do I  
10 consider?

11 Q. (Knag) Yes.

12 A. (Bluemling) I consider the  
13 competitive market factors as the retail  
14 level.

15 Q. (Knag) And how long -- are you  
16 familiar with the history of the LINX pricing  
17 for retail customers?

18 A. (Bluemling) The history of it? In  
19 what way?

20 Q. (Knag) What the monthly service  
21 charge was for basic service now and in the  
22 past?

23 A. (Bluemling) Sure.

24 Q. (Knag) And can you tell me -- when  
25 LINX first started service, what was the LINX



1 basic charge for a telephone number.

2 MS. KIDDOO: Objection, your  
3 Honor. We are getting into, as I was worried  
4 that we might, the issue of retail pricing  
5 here.

6 What is at issue in this  
7 proceeding is the issue of Springwiche  
8 Cellular's wholesale services and whether or  
9 not those wholesale services should be rate  
10 regulated. The issue of what LINX, an  
11 affiliated retailer, sells to end users is  
12 totally irrelevant to the issue that is  
13 before this Commission.

14 THE CHAIRMAN: I see a  
15 slightly different issue and that is, is  
16 there a separation between the wholesale and  
17 the retail? So I'm going to overrule the  
18 objection and allow this line of questioning  
19 to continue a little further.

20 BY MR. KNAG:

21 Q. (Knag) What was the LINX basic  
22 charge for numbers, monthly service charge  
23 when they first started the service?

24 A. (Bluemling) 38 dollars a month.

25 Q. (Knag) And what is it today?

1           A.     (Bluemling) For the basic plan,  
2     it's 38 dollars a month.

3           Q.     (Knag) And has it ever changed?

4           A.     (Bluemling) Not the basic plan, no.

5           Q.     (Knag) And what was the usage  
6     charge for LINX basic when you first started  
7     this service?

8           A.     (Bluemling) 38 cents a minute.

9           Q.     (Knag) What is it today?

10          A.     (Bluemling) 38 cents a minute.

11          Q.     (Knag) Is that an indication of the  
12     fierce competition that your company, LINX,  
13     has faced? You said that competition was one  
14     of your key criteria?

15          A.     (Bluemling) Well, LINX has actually  
16     a variety of prices. You've asked about one  
17     plan. They actually have about a half a  
18     dozen pricing plans, as do many resellers, by  
19     the way. There is nothing unique about that,  
20     and prices can go anywhere from 14 dollars  
21     and 95 cents a month up to 38 -- up to  
22     actually 100 some-odd dollars a month,  
23     depending upon how many minutes again.

24          Q.     (Knag) That's your basic service  
25     rate, is it not?

1 A. (Bluemling) The rate you requested  
2 information about is the basic service rate.

3 Q. (Knag) And if you were to sign up  
4 for 14 dollars and 95 cents a month, what  
5 would you pay for usage?

6 A. (Bluemling) 14.95, I think the  
7 retail rate is 75 cents. It's either 75 or  
8 99, I can't recall.

9 Q. (Knag) So, in addition to -- so  
10 basically your advice to them has been, I  
11 assume, don't change your LINX basic charges?

12 A. (Bluemling) Well, my advice is not  
13 germane. I thought you were asking what the  
14 rates are. There is a variety of rates.  
15 Whether it's 14.95, 24.95, 38 dollars, there  
16 is a variety of rates and customers buy the  
17 particular rate package that they want for  
18 their particular type of usage.

19 Q. (Knag) But in your capacity as  
20 advisor on pricing, did you advise LINX to  
21 lower its basic rate at any time?

22 A. (Bluemling) Did I advise it to  
23 lower? I didn't advise it to lower or raise  
24 its basic rate.

25 Q. (Knag) You advised them to keep it

1 the same as they had; is that right?

2 A. (Bluemling) Well, that particular  
3 rate plan is a rate plan that makes sense for  
4 that particular customer that's using that  
5 service. There wouldn't be any reason to  
6 change that particular rate plan.

7 Q. (Knag) And so even though we've  
8 seen this huge increase in utilization that's  
9 on the chart that's in front of us, you  
10 couldn't see any reason to decrease the  
11 prices for the consumer who is taking the  
12 LINX basic rate?

13 A. (Bluemling) Well, I disagree, this  
14 chart shows very clearly that the prices have  
15 come down at the wholesale level, which is  
16 what we're here talking about. You are off  
17 on another tangent to talk about retail  
18 prices. Every reseller deals with retail  
19 prices its own way.

20 Q. (Knag) Let's talk about this chart,  
21 sir. It has the word "price" on it.

22 THE CHAIRMAN: Identify the  
23 chart by number, for the record.

24 BY MR. KNAG:

25 Q. (Knag) This was one of the charts

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1 brevity and moving forward, I will keep my  
2 summary brief since we stand by the testimony  
3 as filed.

4 I would just like to say that Metro  
5 Mobile Company believes that the DPUC should  
6 not file a petition with the FCC concerning  
7 deregulation that we have today because it is  
8 inconsistent with what we believe is sound  
9 public policy as demonstrated very  
10 appropriately, I believe, in Dr. Hausman's  
11 testimony, as well as the testimony we have  
12 submitted that shows that deregulation has  
13 caused increased competition in states where  
14 that has happened.

15 This has been the case in many  
16 states and it is the reason that in those  
17 states the FCC and Congress have all promoted  
18 deregulation when it comes to wireless.

19 We further submit that the criteria  
20 imposed by Congress to continue regulation  
21 really cannot be met and the trend towards  
22 deregulation, because of the increase in  
23 competitors and the competitive nature of the  
24 business, will drive the business forward.  
25 The DPUC will retain its right to regulate

1 terms and conditions of services other than  
2 rates and we believe and will not give up its  
3 right to seek regulation later even if a  
4 change in circumstances should warrant such.  
5 The Budget Act makes it clear that the state  
6 may file a regulation petition at any time.  
7 We don't believe that time is now.

8 MR. KNICKERBOCKER: The panel  
9 is available for cross examination.

10 THE CHAIRMAN: Mr. Knag?

11 MR. KNAG: In view of the  
12 numerous items that Professor Hausman  
13 included in his testimony that weren't in his  
14 prefiled testimony, may I have five minutes  
15 or a five-minute recess before I begin the  
16 cross examination?

17 THE CHAIRMAN: Okay. We'll  
18 break until 10 after 11:00.

19 (Whereupon, a recess was taken  
20 from 11:05 o'clock a.m. until 11:10 o'clock  
21 a.m.)

22 MR. KNAG: Commissioner, my  
23 colleague stepped out, if you could indulge  
24 me for one second.

25 (Pause.)

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1 THE CHAIRMAN: Just for  
2 planning purposes, Mr. Knag, if somewhere  
3 between 12:00 and 12:15, if there is a  
4 convenient breaking point at that time, let  
5 me know, and then we'll break until 1:30 for  
6 lunch, and I would like all the parties to  
7 discuss at least the principles of this  
8 confidentiality agreement, proprietary order,  
9 because there will not be another hearing  
10 between now and 3:00 p.m. Wednesday's due  
11 date or due time for these filings, and I  
12 want everyone to understand what the terms  
13 and conditions are before we leave today.

14 MR. KNAG: Yes. What I would  
15 request is that Springfield attorneys who have  
16 drafted a form of protective order mark it up  
17 over the lunchtime to reflect our verbal  
18 agreement and at the end of the -- toward the  
19 end of the lunch hour, we'll return to this  
20 room for the purpose of reviewing the mark-up  
21 and I presume to hopefully agree.

22 MS. KIDDOO: We may not have a  
23 printed-out copy of it, but we certainly can  
24 do a marked-up one and substitute it on  
25 Friday.

1 THE CHAIRMAN: I think the  
2 printed-up copy can be done tomorrow and get  
3 transferred back and forth either directly or  
4 by fax. I want to make sure the principles  
5 and terms and conditions are well understood  
6 before we leave today.

7 MS. KIDDOO: We can do that.

8  
9 EXAMINATION

10 BY MR. KNAG:

11 Q. (Knag) Mr. Schulman, good morning.  
12 Can you tell us what your corporate  
13 organization is of the companies that you  
14 represent from the standpoint of the  
15 Connecticut cellular service?

16 A. (Schulman) Well, I will describe it  
17 to you as best I understand them at this  
18 point in time. Obviously, there are the  
19 operating entities, Metro Mobile CTS,  
20 Fairfield County; CTS Hartford, New London  
21 and Windham and they are owned by, I believe  
22 the name of the company now is Bell Atlantic  
23 Enterprises International, which purchased  
24 the parent, Metro Mobile CTS, Inc.

25 Q. (Knag) Within these individual

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1 companies, we'll refer to collectively as the  
2 Metro Mobile companies, which of these  
3 companies engages in retail and which engages  
4 in wholesale cellular service?

5 A. (Schulman) I would say that parts of  
6 both companies are involved in wholesale as  
7 well as retail service.

8 Q. (Knag) Which companies engage in  
9 wholesale and retail both?

10 A. (Schulman) All of the companies.

11 Q. (Knag) Can you tell us again what  
12 those companies are?

13 A. (Schulman) Metro Mobile CTS in  
14 Fairfield County, Metro Mobile CTS in  
15 Hartford County, Metro Mobile CTS of New  
16 Haven, Inc., Metro Mobile CTS of New London  
17 and Metro Mobile CTS of Windham, Inc.

18 Q. (Knag) So you meant all five?

19 A. (Schulman) When I said both, I meant  
20 retail/wholesale, parts of the company are  
21 involved in either service.

22 Q. (Knag) Is there any separation  
23 between the wholesale and resale from a  
24 corporate standpoint?

25 A. (Schulman) No, there is no

1 separation from a corporate standpoint.

2 There is a functional responsibility  
3 separation, various aspects of the different  
4 types of business.

5 Q. (Knag) What are your personal  
6 responsibilities?

7 A. (Schulman) My personal  
8 responsibilities are divided between  
9 supporting the engineering and construction  
10 and basic systems operation for the wholesale  
11 side, as well as giving direction and focus  
12 and support to the retail organization as  
13 well.

14 Q. (Knag) Does that mean you are in  
15 charge of the retail operations?

16 A. (Schulman) I manage the retail  
17 operations for the company, yes.

18 Q. (Knag) So all of the people who work  
19 on the retail side ultimately report to you;  
20 is that correct?

21 A. (Schulman) That's correct.

22 Q. (Knag) Are you also in charge of the  
23 wholesale function?

24 A. (Schulman) I am in charge of parts  
25 of the wholesale function. The company is

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1 structured so that some aspects of the  
2 operation are dotted line or straight line,  
3 some are controlled in a decentralized or  
4 centralized fashion with managers of the  
5 parent entity in New Jersey.

6 Q. (Knag) But with reference to  
7 Connecticut, are you the boss here in  
8 Connecticut of the wholesale side?

9 A. (Schulman) I don't know how I would  
10 -- how would you define the term boss? It is  
11 kind of broad to me.

12 Q. (Knag) Are you in charge?

13 A. (Schulman) I am in charge in  
14 conjunction with managers of the company from  
15 the other side, depending upon the type of  
16 service delivered, the type of area that you  
17 are questioning, yes.

18 Q. (Knag) What areas are you not in  
19 charge of?

20 A. (Schulman) Well, when you say in  
21 charge, what exactly do you mean by that? I  
22 am not sure I understand the question.

23 Q. (Knag) Can you tell me what  
24 functions are performed by the people outside  
25 of Connecticut you were just referring to?

1 A. (Schulman) Well, for example, there  
2 are shared responsibilities with regards to  
3 engineering. You say in charge and the boss.  
4 The final decisions do not rest with me in  
5 many areas. I may participate in the  
6 decision process, I may advise, I may listen.  
7 Some decisions are made by others and are  
8 used by others.

9 Q. (Knag) But you ultimately report up  
10 to the parent entity?

11 A. (Schulman) That's correct.

12 Q. (Knag) And you don't have any final  
13 authority that can't be overruled by the  
14 operating people at the parent level, isn't  
15 that true?

16 A. (Schulman) That is absolutely true.

17 Q. (Knag) So in essence, though,  
18 subject to the right of the parent entity to  
19 review your activities and the fact that you  
20 are reporting to people outside of the state,  
21 you are in charge here in Connecticut, is  
22 that right?

23 A. (Schulman) I would say that  
24 substantially that is correct.

25 Q. (Knag) Now, are you involved in

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1 pricing decisions for both the retail and the  
2 wholesale side?

3 A. (Schulman) I am involved in pricing  
4 decisions on the retail side, I am involved  
5 to some extent in reviewing at this point  
6 pricing for the wholesale side. The ultimate  
7 pricing decisions are made in conjunction  
8 with representatives from strategic planning,  
9 business planning, in the legal department,  
10 as well as upper management of the  
11 organization.

12 Q. (Knag) And is it true that on the  
13 retail side, your pricing decision is that  
14 your standard plan is priced at 38 dollars  
15 per month and 38 dollars per peak minute --  
16 38 cents?

17 A. (Schulman) I don't know if that is  
18 the standard plan, but yes, that was the  
19 original basic plan.

20 Q. (Rosario) That is still the pricing  
21 of the standard plan; is it not?

22 A. (Schulman) Yes.

23 Q. (Knag) That is the same as Linux  
24 charges?

25 A. (Schulman) That was the very first

1 plan that we introduced when we started back  
2 in 1988.

3 Q. (Knag) It has been that same way  
4 ever since you started back in 1987; hasn't  
5 it?

6 A. (Schulman) On the standard plan?

7 Q. (Knag) Yes.

8 A. (Schulman) Yes.

9 Q. (Knag) And now you have other plans  
10 where you have lower rates per month and  
11 higher rates per minute; is that right?

12 A. (Schulman) That is correct. There  
13 is a wide variety of plans.

14 Q. (Knag) Such as, there is a plan that  
15 is 14.95 a month and 80 cents a minute?

16 A. (Schulman) On the retail side, yes,  
17 there is.

18 Q. (Knag) That is the plan with the  
19 lowest price per month; is that right, at the  
20 present time?

21 A. (Schulman) That is correct.

22 Q. (Knag) But if you are a person with  
23 high usage, the standard plan is still the  
24 plan that you would use?

25 A. (Schulman) Well, I guess you would

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1 have to look at every individual user, the  
2 type of usage, concentration of their usage,  
3 I am not -- I would not characterize the high  
4 user as the standard plan being the most  
5 economic plan for them. Perhaps the bulk  
6 advanced purchase plans, one of them might  
7 be, such as the \$89 plan, I believe. I am  
8 speaking from recollection subject to  
9 verifying the facts.

10 Q. (Knag) There is an \$9.95 plan where  
11 the peak use per minute is reduced to 36  
12 cents rather than 38 cents?

13 A. (Schulman) There are also a group of  
14 minutes included for the 89 dollars, so you  
15 would have to evaluate the usage criteria --  
16 150 -- so you would have to balance someone's  
17 usage to see which plan is most  
18 cost-effective.

19 Q. (Knag) And when you were developing  
20 at the wholesale level new services, such as  
21 enhanced voice mail, for example, do you in  
22 your capacity as the boss of the retail side  
23 also know that you are developing these new  
24 services at the wholesale side?

25 A. (Schulman) As a member of the

1 company that operates in a unified fashion  
2 which is consistent with both the FCC-stated  
3 regulations and upheld by the Court of  
4 Appeals decision in '92, certainly I am aware  
5 to some extent and I am participating in the  
6 development of the new technologies or  
7 additions to technologies, yes.

8 Q. (Knag) Isn't it true that you have  
9 chosen to roll out some of these new  
10 technologies with no advanced notice or  
11 absolutely minimal advanced notice to your  
12 reseller competitors?

13 A. (Schulman) No, that is not correct.

14 Q. (Knag) In connection with your  
15 pricing practices, do you anticipate that as  
16 the new technologies that you refer to in  
17 your testimony such as VCL and Nextel and  
18 other things that you referred to, do you  
19 anticipate that as these technologies go  
20 on-line and become operational that the  
21 prices at retail will change from the 38  
22 dollars and 38 cents that you have had since  
23 you started in 1987?

24 MR. KNICKERBOCKER:

25 Commissioner, I guess I have an objection to

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1 what is going to happen with the price of  
2 retail. I thought this proceeding was about  
3 whether wholesale prices are unjust or  
4 unreasonable. I think if Mr. Knag had asked  
5 whether he anticipates the wholesale prices  
6 would come down in some fashion, I would have  
7 no problem with it.

8 THE CHAIRMAN: I think we went  
9 a little bit into this with Springwich as  
10 well, so as long as it doesn't go too far  
11 into retail, I will allow it.

12 MR. KNAG: Furthermore, it was  
13 covered in the direct testimony.

14 A. (Schulman) I suspect that you will  
15 see a definite impact on pricing both in the  
16 wholesale and the retail levels, whether a  
17 specific plan will disappear or not is  
18 really, I don't think, the issue. I think  
19 that you will see plans that address the  
20 competitive forces coming from all the  
21 participants.

22 BY MR. KNAG:

23 Q. (Knag) Does that mean that prices go  
24 down a lot?

25 A. (Schulman) I guess I would have to

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1 ask you to qualify what a lot means.

2 Q. (Knag) Does that mean that you  
3 anticipate prices will go down?

4 A. (Schulman) Yes. I anticipate that  
5 the cost to the public will go down as more  
6 competitors are introduced into the  
7 marketplace.

8 Q. (Knag) And that the cost of  
9 wholesale will go down as well?

10 A. (Schulman) I believe so.

11 Q. (Knag) Do you have an estimate of  
12 how much that will be?

13 A. (Schulman) No.

14 Q. (Knag) You have no idea?

15 A. (Schulman) I have no estimate that I  
16 have -- no.

17 Q. (Knag) Have you made an estimate?

18 A. (Schulman) No, I have not.

19 Q. (Knag) For your planning purposes?

20 A. (Schulman) No, I have not.

21 Q. (Knag) Do you think it will be  
22 significant?

23 A. (Schulman) Yes, I believe that over  
24 time as new competitors come on-line, there  
25 will be increased pressure on the downward

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1 trend of pricing just as there has been  
2 pressure on the downward trend of wholesale  
3 pricing since we started service in  
4 Connecticut.

5 Q. (Knag) Now, after you started  
6 operating in 1987, what changes did you make  
7 in your wholesale prices for per minute or  
8 access?

9 A. (Schulman) I believe you will find  
10 that in our submission, on TE-2, we  
11 characterize in summary all the changes made  
12 on our tariffs over the period of time from  
13 our entry into the marketplace until this  
14 question was asked.

15 Q. (Knag) When did you lower the  
16 wholesale rates on a per minute basis?

17 A. (Schulman) I think the rates on a  
18 per minute basis were effectively lowered in  
19 various points on doing this by discount  
20 levels, by reservation fees and things of  
21 that nature.

22 Q. (Knag) I am not talking about that.  
23 I am talking about actual changes in the  
24 wholesale per minute rates.

25 A. (Schulman) I believe the first

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1 change in the actual wholesale per minute  
2 rate, according to this, was done in 1993.

3 Q. (Knag) When was that in 1993?

4 A. (Schulman) I believe it says here  
5 August 18.

6 Q. (Knag) From 1987 on when you first  
7 started doing business until the present  
8 time, did you change the access charge at  
9 wholesale?

10 A. (Schulman) I believe that was also  
11 done in August of '93.

12 Q. (Knag) So there was no change  
13 between 1987 when you first started until  
14 1993 in August?

15 A. (Schulman) In the actual per minute  
16 and per month access element, no.

17 Q. (Knag) Now, you remember that there  
18 was a docket in 1990 in which your  
19 competitor, Springwich, asked for a  
20 deregulation of wholesale cellular service?

21 A. (Schulman) Yes.

22 Q. (Knag) And at that time your company  
23 opposed that deregulation?

24 A. (Schulman) Correct.

25 Q. (Knag) And the reason was that you

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